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96TH CONGRESS  
2D SESSION

**H. R. 7811**

DOLLAR AT  
INDEXE

To amend the Internal Revenue Code of 1954 to increase the competitiveness of American firms operating abroad and to help increase markets for United States exports.

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IN THE HOUSE OF REPRESENTATIVES

Bill  
Mr. ARCHER (for himself and Mr. PICKLE), introduced the following bill; which was referred to the Committee on Ways and Means

JULY 24, 1980  
P-124

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**A BILL**

To amend the Internal Revenue Code of 1954 to increase the competitiveness of American firms operating abroad and to help increase markets for United States exports.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXCLUSION FROM GROSS INCOME.**

4 Section 911 of the Internal Revenue Code of 1954 (re-  
5 lating to income earned by individuals in certain camps) is  
6 amended to read as follows:

1 "SEC. 911. PARTIAL EXCLUSION FROM GROSS INCOME FOR  
2 INCOME EARNED ABROAD.

3 "(a) GENERAL RULE.—The following items shall, at  
4 the election of the taxpayer, not be included in gross income  
5 and shall be exempt from taxation under this subtitle:

6 "(1) BONA FIDE RESIDENT OF FOREIGN COUN-  
7 TRY.—In the case of an individual citizen of the  
8 United States who establishes to the satisfaction of the  
9 Secretary that he has been a bona fide resident of a  
10 foreign country or countries for an uninterrupted period  
11 which includes an entire taxable year, amounts which  
12 constitute earned income attributable to services per-  
13 formed during such uninterrupted period, except  
14 amounts paid by the United States or any agency  
15 thereof. The amount excluded under this paragraph for  
16 any taxable year shall be computed by applying the  
17 special rules contained in subsection (c).

18 "(2) PRESENCE IN FOREIGN COUNTRY FOR 11  
19 MONTHS.—In the case of an individual citizen or resi-  
20 dent of the United States who during any period of 12  
21 consecutive months is present in a foreign country or  
22 countries at least 330 full days in such period, amounts  
23 which constitute earned income attributable to services  
24 performed during such 12-month period except  
25 amounts paid by the United States or any agency  
26 thereof. The amount excluded under this paragraph for

1 any taxable year shall be computed by applying the  
2 special rules contained in subsection (c).

3 “(3) WAIVER OF PERIOD OF STAY IN FOREIGN  
4 COUNTRY.—For purposes of paragraphs (1) and (2) of  
5 this subsection, an individual who for any period is a  
6 bona fide resident of or is present in a foreign country  
7 and who—

8 “(A) leaves such foreign country—

9 “(i) during any period during which the  
10 Secretary determines, after consultation with  
11 the Secretary of State or his delegate, that  
12 individuals were required to leave such for-  
13 eign country because of war, civil unrest, or  
14 similar adverse conditions<sup>1</sup> in such foreign  
15 country which precluded the normal conduct  
16 of business by such individuals, and

17 “(ii) before meeting the requirements of  
18 such paragraphs (1) and (2), and

19 “(B) establishes to the satisfaction of the  
20 Secretary that he could reasonably have been ex-  
21 pected to have met such requirements, shall be  
22 treated as having met such requirements with re-  
23 spect to that period during which he was a bona  
24 fide resident or was present in the foreign coun-  
25 try.

1           “(C) This paragraph shall apply only with  
2           respect to periods an individual was a bona fide  
3           resident of or present in a foreign country and did  
4           not meet the requirements of section 911(a) (1) or  
5           (2) of the Internal Revenue Code of 1954 with re-  
6           spect to such periods because he left the foreign  
7           country after September 1, 1978.

8           An individual who elects the exclusion provided by this  
9           subsection shall not be allowed as a deduction from his  
10          gross income or as a credit against the tax imposed by  
11          this chapter any credit for the amount of taxes paid or  
12          accrued to a foreign country or possession of the  
13          United States, to the extent that such deduction or  
14          credit is properly allocable to or chargeable against  
15          amounts excluded from gross income, other than de-  
16          ductions allowed by section 217 (relating to moving  
17          expenses).

18          “(b) DEFINITION OF EARNED INCOME.—For purposes  
19          of this section, the term ‘earned income’ means wages, sala-  
20          ries, or professional fees, and other amounts received as com-  
21          pensation for personal services actually rendered, but does  
22          not include that part of the compensation derived by the tax-  
23          payer for personal services rendered by him to a corporation  
24          which represents a distribution of earnings or profits rather  
25          than a reasonable allowance as compensation for the personal

1 services actually rendered. In the case of a taxpayer engaged  
2 in trade or business in which both personal services and capi-  
3 tal are material income-producing factors, under regulations  
4 prescribed by the Secretary, a reasonable allowance as com-  
5 pensation for the personal services rendered by the taxpayer,  
6 not in excess of 30 percent of his share of the net profits of  
7 such trade or business, shall be considered as earned income.

8       “(c) SPECIAL RULES.—For purposes of computing the  
9 amount excludable under subsection (a), the following rules  
10 shall apply:

11               “(1) LIMITATION ON AMOUNT OF EXCLUSION.—

12               “(A) EXCLUDABLE AMOUNT.—The amount  
13 excluded from the gross income of an individual  
14 under subsection (a) for any taxable year shall not  
15 exceed an amount which shall be computed on a  
16 daily basis at an annual rate of an amount equal  
17 to the excludable amount for a period during  
18 which he qualifies.

19               “(B) DETERMINATION OF EXCLUDABLE  
20 AMOUNT.—The excludable amount shall be—

21               “(i) for 1980, \$75,000; and,

22               “(ii) for 1981 and years thereafter,  
23 \$75,000, multiplied by the percentage by  
24 which the implicit price deflator for the gross  
25 national product for the second preceding

1           calendar year exceeds such deflator for the  
2           calendar year 1978.

3           “(2) ATTRIBUTION TO YEAR IN WHICH SERVICES  
4           ARE PERFORMED.—For purposes of applying para-  
5           graph (1), amounts received shall be considered re-  
6           ceived in taxable year in which the services to which  
7           the amounts are attributable are performed.

8           “(3) TREATMENT OF COMMUNITY INCOME.—In  
9           applying paragraph (1) with respect to amounts re-  
10          ceived from services performed by a husband or wife  
11          which are community income under community prop-  
12          erty laws applicable to such income, the aggregate  
13          amount excludable under subsection (a) from the gross  
14          income of such husband and wife shall equal the  
15          amount which would be excludable if such amounts did  
16          not constitute such community income.

17          “(4) REQUIREMENT AS TO TIME OF RECEIPT.—  
18          No amount received after the close of the taxable year  
19          following the taxable year in which the services to  
20          which the amounts are attributable are performed may  
21          be excluded under subsection (a).

22          “(5) CERTAIN AMOUNTS NOT EXCLUDABLE.—No  
23          amount—

24               “(A) received as a pension or annuity, or

1           “(B) included in gross income by reason of  
2           section 402(b) (relating to taxability of beneficiary  
3           of nonexempt trust), section 403(c) (relating to  
4           taxability of beneficiary under a nonqualified annu-  
5           ity), or section 403(d) (relating to taxability of  
6           beneficiary under certain forfeitable contracts pur-  
7           chased by exempt organizations),  
8           may be excluded under subsection (a).

9           “(6) TEST OF BONA FIDE RESIDENCE.—A state-  
10          ment by an individual who has earned income from  
11          sources within a foreign country to the authorities of  
12          that country that he is not a resident of that country, if  
13          he is held not subject as a resident of that country to  
14          the income tax of that country by its authorities with  
15          respect to such earnings, shall be conclusive evidence  
16          with respect to such earnings that he is not a bona fide  
17          resident of that country for purposes of subsection  
18          (a)(1).

19          “(d) CROSS REFERENCES.—

20               “(1) For administrative and penal provisions relat-  
21               ing to the exclusion provided for in this section, see  
22               sections 6001, 6011, 6012(c), and the other provisions  
23               of subtitle F.

1           “(2) For elections as to treatment of income sub-  
2           ject to foreign community property laws, see section  
3           981.”.

4   SEC. 2. EMPLOYEES LIVING IN CAMPS.

5           Section 119 of the Internal Revenue Code of 1954 is  
6           amended by adding the following new subsection:

7           “(c) EMPLOYEES LIVING IN CAMPS.—In the case of an  
8           individual who is furnished lodging in a camp, such camp  
9           shall be considered to be part of the business premises of the  
10          employer. For purposes of this section a camp constitutes  
11          lodging which is—

12           “(1) provided by or on behalf of the employer be-  
13          cause the place at which such individual renders serv-  
14          ices is in an area where satisfactory housing is not  
15          available on the open market,

16           “(2) located as near as practicable, in the vicinity  
17          of the place at which such individual renders services,  
18          and

19           “(3) furnished in a common area (or enclave)  
20          which is not available to the public.”.

21   SEC. 3. DEDUCTION FOR CERTAIN HOUSING EXPENSES.

22           Section 913 of the Internal Revenue Code of 1954 is  
23          amended to read as follows:

1 "SEC. 913. DEDUCTION FOR CERTAIN HOUSING EXPENSES OF  
2 LIVING ABROAD.

3 "(a) ALLOWANCE OF DEDUCTION.—In the case of an  
4 individual who is—

5 "(1) BONA FIDE RESIDENT OF FOREIGN COUN-  
6 TRY.—A citizen of the United States and who estab-  
7 lishes to the satisfaction of the Secretary that he has  
8 been a bona fide resident of a foreign country or coun-  
9 tries for an uninterrupted period which includes an  
10 entire taxable year, or

11 "(2) PRESENCE IN FOREIGN COUNTRY FOR 11  
12 MONTHS.—A citizen or resident of the United States  
13 and who during any period of 12 consecutive months is  
14 present in a foreign country or countries during at  
15 least 330 full days in such period.

16 there shall be allowed as a deduction for such taxable year or  
17 for any taxable year which contains part of such period, the  
18 qualified housing expenses set forth in subsection (b).

19 "(b) QUALIFIED HOUSING EXPENSES.—

20 "(1) IN GENERAL.—For purposes of this section,  
21 the term 'qualified housing expenses' means the excess  
22 of—

23 "(A) the individual's housing expenses, over

24 "(B) the individual's base housing amount.

25 "(2) HOUSING EXPENSES.—

1           “(A) IN GENERAL.—For purposes of para-  
2           graph (1), the term ‘housing expenses’ means the  
3           reasonable expenses paid or incurred during the  
4           taxable year by or on behalf of the individual for  
5           housing for the individual (and, if they reside with  
6           him, for his spouse and dependents) in a foreign  
7           country. Such term—

8                       “(i) except as provided in clause (ii), in-  
9                       cludes expenses attributable to the housing  
10                      (such as security, utilities, and insurance),  
11                      and

12                     “(ii) does not include interest and taxes  
13                     of the kind deductible under section 163 and  
14                     164 or any amount allowable as a deduction  
15                     under section 216(a).

16           “(B) PORTION WHICH IS LAVISH OR EX-  
17           TRAVAGANT NOT ALLOWED.—For purposes of  
18           subparagraph (A), housing expenses shall not be  
19           treated as reasonable to the extent such expenses  
20           are lavish or extravagant under the circum-  
21           stances.

22           “(3) BASE HOUSING AMOUNT.—For purposes of  
23           paragraph (1) the term ‘base housing amount’ means—

24                     “(A) for 1980, \$5,500, and

1           “(B) for 1981 and years thereafter \$5,500,  
2           multiplied by the percentage by which the implicit  
3           price deflator for the gross national product for  
4           the second preceding calendar year exceeds such  
5           deflator for the calendar year 1978 to be calcu-  
6           lated on a daily basis for the period determined in  
7           accordance with paragraph (4)(B) of this subsec-  
8           tion.

9           “(4) PERIODS TAKEN INTO ACCOUNT.—

10           “(A) IN GENERAL.—The expenses taken  
11           into account under this subsection shall be only  
12           those which are attributable to housing during pe-  
13           riods for which—

14           “(i) the individual's tax home is in a  
15           foreign country, and

16           “(ii) the value of the individual's hous-  
17           ing is not excluded under section 119.

18           “(B) DETERMINATION OF BASE HOUSING  
19           AMOUNT.—The base housing amount shall be de-  
20           termined for the periods referred to in subpara-  
21           graph (A).

22           “(5) ONLY ONE HOUSE PER PERIOD.—If, but for  
23           this paragraph, housing expenses for any individual  
24           would be taken into account under paragraph (2) of  
25           subsection (b) with respect to more than one abode for

1 any period, only housing expenses with respect to that  
2 abode which bears the closest relationship to the indi-  
3 vidual's tax home shall be taken into account under  
4 such paragraph (2) for such period.

5 "(c) REGULATIONS.—The Secretary shall prescribe  
6 such regulations as may be necessary or appropriate to carry  
7 out the purposes of this section, including regulations provid-  
8 ing rules—

9 "(1) for cases where a husband and wife each  
10 have earned income from sources outside the United  
11 States, and

12 "(2) for married individuals filing separate re-  
13 turns."

14 SEC. 4. EFFECTIVE DATE.

15 The amendments made by this Act shall apply with re-  
16 spect to taxable years beginning after December 31, 1979.

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